CIC MICROINSURANCE LIMITED

REPORT
AND
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2024

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DIRECTORS

Rosemary Macharia	- Chairperson -	Appointed on 3rd July 2024
Anne Kamau		Appointed on 3rd June 2024
George Muiruri		Appointed on 3rd June 2024
Christine Kahema		Appointed on 3rd June 2024
Patrick Nyaga		Appointed on 3rd June 2024

COMPANY SECRETARY
Mary Wanga
Certified Public Secretary (Kenya)
P. O. Box 59485 - 00200
Nairobi

REGISTERED OFFICE
CIC Plaza
Upper Hill, Mara Road
P. O. Box 59485 - 00200
Nairobi

SENIOR MANAGEMENT

Michael Mugo	- Managing Director Designate
Mary Wanga	- Company Secretary
Susan Robi	- Group Risk and Compliance Manager
Elizabeth Njuguna	- Human Resource Business Partner
Mercy Mandela	- Finance Manager
Yolanda Macharia	- Claims Manager
Sarah Wakonyo	- Underwriting Manager
Cyril Juma	- Ag. Actuarial Manager

AUDITOR
PricewaterhouseCoopers LLP
Certified Public Accountants
PwC Towers, Waiyaki Way / Chiromo Road Westlands
P. O. Box 43963 - 00100
Nairobi, Kenya

PRINCIPAL BANKER
The Co-operative Bank of Kenya Limited
P. O. Box 67881 - 00100
Kuscco centre, Upperhill
Nairobi

CONSULTING ACTUARY
QED Actuaries & Consultants (Kenya) Limited
Capita Registrars Royal Offices 1st Floor,
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Westlands Nairobi Kenya

Building impact through microinsurance: A journey of transformation

CIC Microinsurance Limited continues to play a pivotal role in expanding financial protection for low-income households and micro-entrepreneurs in Kenya. Founded on decades of innovation and social impact, the company's mandate is anchored in the Microinsurance Act, 2020, which paved the way for dedicated microinsurance entities. In response, CIC Insurance Group Ltd incorporated CIC Microinsurance Limited on 31st December 2021, establishing a focused, regulated subsidiary aimed at deepening financial inclusion and strengthening risk protection for underserved communities.

CIC's microinsurance journey began in 2001 with the introduction of Micro Credit Life, a product designed to safeguard borrowers and lending institutions against credit-related risks. Distributed through Microfinance Institutions (MFIs), the solution offered protection against death, total permanent disability, and later expanded to include funeral expenses and business-related risks such as fire and burglary. This early product laid the foundation for a sustainable microinsurance framework, enabling institutions to manage portfolio risk while empowering clients to recover from financial shocks.

In 2004, CIC ventured into micro health insurance with its first low-cost health product. Although its uptake was limited, the experience informed future innovation. A major milestone followed in 2007 with the launch of Bima Ya Jamii, a collaborative initiative between CIC, Kenya Women Finance Trust, and NHIF, supported by the International Labour Organization. The product provided comprehensive family health coverage and gained significant traction before being discontinued in 2010 following changes in national health policy.

Between 2011 and 2014, CIC broadened its portfolio with products such as M-BIMA, Biashara Salama, Jikinge Welfare, and Jilinde Personal Accident, each tailored to address unique risks faced by informal sector players, chamas, and micro-entrepreneurs. The launch of the M-BIMA digital platform in 2011—leveraging M-PESA technology—was a transformative step, enhancing premium collection efficiency, improving customer engagement, and enabling scale within low-income markets.

In 2024, a dedicated Board of Directors was formally constituted to provide strategic oversight and strengthen governance structures for CIC Microinsurance, marking its inaugural year of operations and paving the way for transition of microinsurance business previously underwritten in the other subsidiaries

The establishment of CIC Microinsurance Limited marked a strategic pivot toward a more agile, customer-centric, and financially sustainable microinsurance model. As a specialized entity, the company is able to streamline operations, strengthen actuarial and risk management capabilities, and design products aligned to the needs, incomes, and risk profiles of low-income households. The new structure also enhances regulatory compliance and positions the company for future growth, partnerships, and digital innovation.

Today, CIC Microinsurance's financial strategy focuses on scalable distribution, digital efficiency, and profitability through volume, ensuring products remain affordable while maintaining operational sustainability. With a growing portfolio spanning life, accident, health, savings, funeral, and property microinsurance, the company continues to deliver value by reducing vulnerability to financial shocks, supporting microbusiness continuity, and enhancing social protection for millions of Kenyans.

Guided by its cooperative heritage and commitment to shared prosperity, CIC Microinsurance is poised to accelerate its impact driving financial resilience, promoting inclusive growth, and contributing meaningfully to Kenya's social and economic development.

The directors submit their report together with the audited financial statements of CIC Microinsurance Limited "the Company" for the period ended 31 December 2024, which discloses the status of affairs of the company.

1. INCORPORATION

The Company is domiciled in Kenya where it is incorporated on 31 December 2021 as a private company limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 1.

The entity was dormant until July 2023 when share capital was issued and in the subsequent months the entity begun operations. The financial statements cover the 18-month period from 1 July 2023 to 31 December 2024.

2. DIRECTORATE

The directors who held office during the period and to the date of this report are set out on page 1.

3. PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of microinsurance business.

4. COMPANY RESULTS

The table below highlights some of the key performance indicators

	Period ended 31 December 2024 KShs'000
Loss before income tax	(1,874)
Total comprehensive loss	(1,312)
Total assets	49,638
Total equity	48,688

5. DIVIDENDS

The directors do not recommend payment of dividend for the period ended 31 December 2024.

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT IN 2024

The period spanning 2023 to 2024 was characterized by a relatively stable but gradually improving macroeconomic environment in Kenya. Inflation remained largely within the Central Bank of Kenya target range of 5% ± 2.5%, easing from the highs experienced in 2023. Headline inflation averaged between 3.5% and 4.5% in 2024, supported by moderating food prices and improved supply conditions, although pressures persisted in key categories such as food, transport, and housing.

The Kenyan Shilling experienced volatility in 2023, driven by external pressures and global dollar strength, but stabilized in 2024, supported by improved foreign exchange inflows and policy interventions. Foreign exchange reserves strengthened during 2024, enhancing external liquidity and supporting currency stability.

Kenya's equity market showed signs of recovery in 2024 following a subdued performance in 2023. Key indices at the Nairobi Securities Exchange recorded moderate gains, reflecting improving investor sentiment, easing macroeconomic pressures, and renewed interest in banking and telecommunications stocks. Market capitalization also registered gradual growth, supported by improved corporate earnings expectations.

In the insurance sector, the Insurance Regulatory Authority reported continued growth in gross written premiums in 2024 compared to 2023, driven by both general and long-term insurance segments. The industry remained resilient despite economic pressures, demonstrating its critical role in risk management and financial protection.

Microinsurance continued to gain traction over the period, supported by regulatory developments, increasing awareness, and digital distribution channels.

The implementation of the Microinsurance Act 2020 provided a structured framework for the licensing and supervision of microinsurance entities, encouraging market entry and product innovation. Microinsurance products particularly in health, credit life, and personal accident continued to address the needs of low-income households and micro-enterprises.

Industry reports from the Association of Kenya Insurers highlighted ongoing transformation driven by digitalization, including the adoption of mobile platforms and emerging technologies to enhance customer experience, streamline operations, and improve claims turnaround times.

Despite these positive developments, insurance penetration in Kenya remained relatively low, estimated at approximately 2.3%–2.4% of GDP, underscoring significant untapped potential, particularly within informal and rural segments.

6. BUSINESS REVIEW (CONTINUED)

THE COMPANY'S PERFORMANCE FOR THE PERIOD ENDED 31ST DECEMBER 2024

During the period ended 31 December 2024, CIC Microinsurance Limited remained in its establishment phase, with the subsidiary still in the process of being fully set up. As a result, no insurance business had been underwritten during the period. Since underwriting operations had not commenced, the Company did not generate any insurance revenue and consequently did not incur insurance service expenses or report a net insurance service result.

Activities during the period were primarily focused on start-up and operational readiness, including obtaining regulatory approvals, recruiting key personnel, and establishing the necessary systems and governance structures to support future operations. The Company, however, earned investment income of KShs 1.1 million from funds invested in government securities, reflecting a prudent and conservative approach to capital management during the pre-operational phase.

Operational and administrative expenses incurred during the period amounted to KShs 3 million, mainly relating to establishment and setting costs necessary to build the Company's operational and governance framework.

Overall, the Company recorded a net loss during the period, driven by initial set-up costs, partially offset by the investment income earned. The financial performance reflects the Company's pre-operational status, with management remaining focused on completing the establishment phase in preparation for the commencement of underwriting activities in the subsequent financial period.

7. DIRECTORS

The directors of the Company who served in office during the period and to the date of this report are set out on page 1 of this report.

8. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

The directors confirm that with respect to each director at the time of approval of this report:

a) there is, so far as each director is aware, no relevant audit information of which the company's auditor is unaware; and

b) each director has taken all the steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

9. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office with the accordance with the company's Articles of Association and section 719 (2) of the companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and associated fees on the behalf of the shareholders.

BY ORDER OF THE BOARD

Secretary

26 May 2026
Nairobi

The Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; disclose with reasonable accuracy at any time the financial position of the company; and that enables them to prepare financial statements of the company that comply with prescribed financial reporting standards and the requirements of the Companies Act 2015. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

Designing, implementing, and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
Selecting suitable accounting policies and then apply them consistently; and
Making judgements and accounting estimates that are reasonable in the circumstances

Having assessed the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

....	....	....
Rosemary Macharia	Christine Kahema	Patrick Nyaga
Chairperson	Director	Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC MICROINSURANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of CIC Microinsurance Limited (the Company) set out on pages 10 to 32 which comprise the statement of financial position at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the period then ended and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of CIC Microinsurance Limited as at 31 December 2024, and of its financial performance and its cash flows for the period then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities and the ethical requirements that are applicable to our audit of financial statements in Kenya. We have also fulfilled our ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC MICROINSURANCE LIMITED (CONTINUED)

Report on the audit of the financial statements (continued)

Other information

The other information comprises the Corporate information, Directors' report, and Statement of director's responsibilities, which we obtained prior to the date of this auditor's report but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC MICROINSURANCE LIMITED (CONTINUED)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the Directors' report on pages 3 to 5 is consistent with the financial statements.

Bernice Kimacia

CPA Bernice Kimacia, Practicing Certificate Number 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

26 May 2026

UNIQUE CODE: 12173260526

	Notes	2024 KShs'000
Interest revenue calculated using the effective interest method	3	1,145
Net investment income		1,145
Operating and other expenses	4	(3,019)
Loss before income tax		**(1,874)**
Income tax credit	5	562
Loss for the period		**(1,312)**
Other comprehensive income, net of tax		-
Total comprehensive income for the period		**(1,312)**

The financial statements cover the 18 Month period from 1 July 2023 to 31 December 2024.

	Notes	2024 KShs'000
ASSETS		
Deferred tax asset	7	562
Financial assets at amortised cost- Government securities	6	5,451
Current income tax	3	63
Due from related parties	8	1,938
Cash and cash equivalents	12	41,624
TOTAL ASSETS		**49,638**
EQUITY AND LIABILITES		
EQUITY		
Share capital	10	50,000
Accumulated losses		(1,312)
Total equity		48,688
LIABILITIES		
Due to related parties	8	950
Total liabilities		950
TOTAL EQUITY AND LIABILITIES		**49,638**

The financial statements on pages 10 to 37 were approved by the Board of Directors on 26May2026 and signed on its behalf by:

Rosemary Macharia
Chairperson

Christine Kahema
Director

Patrick Nyaga
Director

	Note	Share capital KShs'000	Accumulated losses KShs'000	Total KShs'000
At start of period		-	-	-
Initial share capital investment	10	50,000	-	50,000
Loss for the period		-	(1,312)	(1,312)
At end of period		**50,000**	**(1,312)**	**48,688**

	Notes	2024
		KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	12 (a)	(3,990)
Tax Paid	5	(63)
Interest from government securities	3	1,145
Purchase of government securities	6	(5,468)
Net cash used in operating activities		(8,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	10	50,000
Net cash generated from financing activities		50,000
INCREASE IN CASH AND CASH EQUIVALENTS		41,624
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12 (b)	41,624

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance with IFRS Accounting Standards.

The financial statements have been prepared in compliance with IFRS Accounting Standards, interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS and in compliance with the Companies Act, 2015. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

(a) Basis of preparation

The measurement basis used is the historical cost basis, as modified by the carrying of certain property and equipment, investment property and certain investments at fair value, and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS Accounting Standards. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

The Company presents its statement of financial position in the general order of liquidity.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company.

The company has applied the following amendments for the first time for their reporting period ending 31 December 2024. The amendments do not have any impact on the amounts recognised and are not expected to significantly affect the current or future periods

Title	Key requirements	Effective date *
Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)

(ii) New and amended standards in issue but not yet effective in the period ended 31 December 2024.

As at 31 December 2024, the following standards and interpretations had been issued but were not mandatory for reporting periods ending on 31 December 2024. The above standards are not expected to have a material impact on the Company's financial statements.

Title	Key requirements	Effective date *
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments.	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	Annual periods beginning on or after 1 January 2026
IFRS 19, 'Subsidiaries without Public Accountability'	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements. IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.	Annual periods beginning on or after 1 January 2027
IFRS 18, 'Presentation and Disclosure in Financial Statements'	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.	Annual periods beginning on or after 1 January 2027

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Income
(i) Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through OCI is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.
The EIR (and therefore the amortised cost of the financial asset) is calculated considering transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using the EIR method.

The company calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the asset.

Investment income also includes dividend income which is recognised when the right to receive the payment is established.

(ii) Realized /unrealized gains and losses

Realised / unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transactions. More details on the on how the gains have been arrived has been discussed in the specific policies relating to the assets.

(d) Other expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

(i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognized in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognizing the equipment associated with the use of assets such as property and equipment. In such cases the expense is referred to as depreciation or amortization. These allocation procedures are intended to recognize expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

(ii) An expense is recognized immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Other incurred directly attributable expenses, including any amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition, are recognised in insurance service expenses as per note 1(viii) above. Other expenses not meeting the categories in note 1(viii) are included in other operating expenses in the statement of profit or loss.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Income Tax

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Kenyan Income Tax Act. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the period. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the period, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 8 of these financial statements.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The deferred tax liability shall be recognised except when it arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that led to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes and premium taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of sales taxes and premium taxes except:
- when the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
- receivables and payables that are measured with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Employee Benefits

Defined contributions provident fund
The Company operates a defined contribution post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the company. The assets of the fund are held and administered independently of the company's assets.

Statutory pension scheme
The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The Company's contributions to the defined contribution schemes are charged to profit or loss as they fall due.

Leave
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

(g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation, however, in the event of excesses over the reserve the same is recognized through Profit and Loss Statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

(h) Other financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit or loss. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.
Trade and other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Fair Value Measurement

The company measures financial instruments classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss including investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as investment properties.

Involvement of external valuers is decided upon annually by the senior finance and investment manager who discusses the basis and assumptions with the valuers. This is then approved by the group Chief Finance Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above Fair value related disclosures have been made in note 17.

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
Financial assets and liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of other receivables and amount due from related parties, which do not contain significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For financial assets at fair value through profit and loss, transaction costs are recognised directly in the statement of profit or loss.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(l) Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial instruments

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at amortized cost;
- Financial assets at fair value through OCI; and
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include, Cash and cash equivalents, Other assets, Fixed deposit, Deposits and commercial paper, Government securities, staff loans and Corporate bonds.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange gains and losses and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's financial assets classified as debt instruments at fair value through OCI, include Government securities.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's financial assets designated at fair value through OCI (equity instruments) is the unquoted equity investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss comprise investment in collective investment scheme i.e. CIC Unit Trust quoted equity investments and Government Securities.

(m) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(n) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

(o) Events after the reporting date

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts that it recognises in the Company's financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. The entity's owners have no power to amend the financial statement after issue.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Company. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, considering changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.
The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the company. Such changes are reflected in the assumptions when they occur.

A. Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that will have the most significant effect on the amounts recognised in financial statements:

i. Impairment of financial assets

The company recognizes an allowance for expected credit losses (ECLs) across relevant financial assets through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flow will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures, for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Therefore, the Company tracks changes in credit risk and recognizes a loss allowance based on lifetime ECLs at each reporting date. See note 11 or financial assets that are subject to impairment assessment.

ii. Income taxes

The Company is subject to income taxes in Kenya. Significant judgement is required in determining the Company's provision for income taxes and to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The Company uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Company assumes that the taxation authority will examine amounts reported to it and will have full knowledge of all relevant information when doing so. Where the Company concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Company concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The method should be based on which method provides better predictions of the resolution of the uncertainty.

3. INVESTMENT INCOME

	2024 KShs'000
Interest revenue calculated using the effective interest method	
Interest on financial assets at amortised cost – Government securities	1,145
	1,145

4. OPERATING AND OTHER EXPENSES

	2024 KShs'000
Directors' emoluments (Note 8 (d))	2,100
Professional fees	244
Other expenses*	675
Total	3,019

*Other expenses relate to business trade licences, bank charges, accessories and miscellaneous expenses.

5. INCOME TAX EXPENSE

	2024 KShs'000
(a) Income tax credit	
Current income tax	-
Deferred income tax (note 7)	(562)
	(562)
(b) Reconciliation of income tax expense to tax on accounting profit	
Loss before income tax	(1,874,)
Tax calculated at a tax rate of 30%	(562)
Taxation charge for the period	(562)

The effective income tax rate is 30%

The applicable tax rate during the period was 30%.

5. INCOME TAX EXPENSE (CONTINUED)

(c) Current income tax

	2024 KShs'000
At start of period	-
Current income tax	-
Paid during the period*	63
At end of period	63

* Tax paid of KShs 63k is withholding tax deducted on interest income from coupons.

6. FINANCIAL ASSETS AT AMORTISED COST – GOVERNMENT SECURITIES

	KShs'000
At beginning of the period	-
Additions	5,085
Amortisation	(24)
Accrued interest	390
At the end of the period	5,451

Management has assessed the expected credit loss on government securities to be immaterial to the financial statements.

Maturity analysis of the government securities held at amortized cost has been disclosed in Note 15 (a) of the financial statements

7. DEFERRED INCOME TAX

	2024 KShs'000
Temporary differences arising from tax losses	(562)
Net deferred tax asset	(562)

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30%.

8. RELATED PARTY BALANCES

The company is a subsidiary of The CIC Insurance Group PLC, incorporated in Kenya, which owns 100% shares of the company. The ultimate parent company is Co-operative Insurance Society Limited. CIC General Insurance Limited is related through common shareholding. The provisions for expected credit losses made on related party balances during the period was assessed to be immaterial to the financial statements. The amounts due to related parties are non- interest bearing and the balances are not secured. There were no commitments made between the company and any related party.

	2024 KShs'000
(a) Transactions with related parties	
(i) Receipts from related parties	
The CIC Insurance Group PLC	2,041

8. RELATED PARTY BALANCES (CONTINUED)

(ii) Payments to related parties

The CIC Insurance Group PLC	3,979

(b) Due to related parties

CIC General Insurance Limited	950

(c) Due from related parties

The CIC Insurance Group CIC	1,938

(d) Key management remuneration

The remuneration of directors and other members of key management during the period were as follows:

	KShs'000
Short-term employment benefits:	
Directors' fees	457
Directors' allowances*	461
Directors' expenses	1,182
	2,100

* Directors allowances relate to directors Christmas tokens, training, accommodation and travel cost.

9. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The table below summarises the weighted average effective interest rates realised during the year on the principal interest-bearing investments:

	2024 %
Government securities	13.06

10. SHARE CAPITAL

	Number of shares KShs'000	Share Capital KShs'000
Authorised ordinary shares of KShs 100 each:		
At beginning of the period	-	-
Issue of shares	500	50,000
At end of the period	500	50,000
Issued and fully paid-up share capital:		
At beginning of the period	-	-
Issue of shares	500	50,000
At end of the period	500	50,000

11. ACCUMULATED LOSSES

The accumulated losses have been incurred during the period and, as such, no amount is available for distribution as dividends to shareholders.

12. STATEMENT OF CASH FLOWS

	Notes	2024
		KShs'000
a) Reconciliation of loss before tax to cash generated from operations:		
Loss before taxation		(1,874)
Adjustments for:		
Interest on government securities at amortised cost	3	(1,145)
Due from related parties	8	(1,938)
Due to related parties	8	950
Interest amortization	6	17
Net cash used in operations		(3,990)
b) Cash and cash equivalents*		
Bank and cash balances		41,624
		41,624

13. DIVIDENDS

No dividend declared in the period ended 2024.

14. RISK MANAGEMENT FRAMEWORK

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a company policy framework which sets out the risk profiles for the company, risk management, control and business conduct standards for the company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

b. Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value

The operations of the Company are also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy at 100 % to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Company has met all these requirements throughout the financial year.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Kenyan Insurance Regulatory Authority (IRA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The company had capital adequacy ratio of 51% as compared to 100% which is the minimum as per IRA requirements. This is based on the size and the risk of profile of the company. The risks considered are insurance risk, market risk, credit risk and operational risk.

The Company's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the IRA directives, including any additional amounts required by the regulator.

14. RISK MANAGEMENT FRAMEWORK (CONTINUED)

c. Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is total equity. The Company also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Company has made no significant changes, from previous years to its policies and processes for its capital structure.

The constitution of capital managed by the company is as shown below:

	2024
	KShs'000
Share capital	50,000
Accumulated losses	(1,874)
	48,126

The company had no external financing at 31 December 2024.

d. Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

As at 31 December 2024 the company reported Capital Adequacy Ratio of 51% which was below the minimum requirement of 100% prescribed by IRA.

14. RISK MANAGEMENT FRAMEWORK (CONTINUED)

e. Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities as an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

15. FINANCIAL RISK

a. Financial risks

i. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Company continuously monitors its financial assets, which include financial assets at amortised cost such as government securities, corporate bonds, loans, commercial papers, amounts due from related parties, deposits with financial institutions, other receivables, and cash and bank balances.

As at the reporting date, the Company has not yet implemented an expected credit loss (ECL) model as required under IFRS 9. This is primarily due to the Company being in its early stage of operations and the absence of sufficient historical credit loss data to support the development of a reliable and supportable ECL framework. From the assessment done by management across the financial assets, the ECL is deemed to be immaterial for the financial statements.

Accordingly, no expected credit loss (ECL) provisions were recognised during the period.

ii. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance obligations.
- The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

15. FINANCIAL RISK (CONTINUED)

a. Financial risks (continued)

ii. Liquidity risk (continued)

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs. The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

31 December 2024	No stated maturity	6 months or on demand	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 year	Total
		KShs	KShs	KShs	KShs	KShs
Financial assets:		000	000	000	000	000
Government securities at amortised cost	-	-	-	7,970	-	7,970
Due from related party	-	1,938	-	-	-	1,938
Cash and cash equivalents	-	41,624	-	-	-	41,624
Total financial assets	-	43,562	-	7,970	-	51,532
Due to related party	-	950	-	-	-	950
Total financial liabilities	-	950	-	-	-	950
Net liquidity gap	-	42,612	-	7,970	-	50,582

b. Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The company's market risk policy sets out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
The company stipulates diversification benchmarks by type of instrument and geographical area, as the company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt currencies are all constant

15. FINANCIAL RISK (CONTINUED)

b. Market risks (continued)

i. Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency. The company primarily transacts in Kenya shilling, and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to significant currency risk.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company’s interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The company’s management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in all yield curves of financial assets and financial liabilities. The Company is not exposed to interest rate risk as all financial assets are at fixed interest rates.

iii. Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company’s strategic planning and budgeting process.

16. FAIR VALUE MEASUREMENT (CONTINUED)

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange Limited.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

There were no transfers between Level 1 and level 2 during the year.
The table below shows an analysis of the fair value of assets by level in the fair value hierarchy; however, it does not include instruments whose fair value approximates the carrying amount.

31st December 2024	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs000	Total KShs	Carrying amount KShs
Recurring fair value measurements:					
Non-recurring fair value					
Government securities at amortised	7,970	-	-	7,970	7,970
Total assets at fair value	7,970	-	-	-	7,970

17. ULTIMATE CONTROLLING PARTY

The parent company is CIC Insurance Group PLC which is ultimately owned by Co-operative Insurance Society Limited. Both are incorporated and domiciled in Kenya

18. INCORPORATION

The company is incorporated in Kenya under the Companies Act, 2015 and is domiciled in Kenya.

19. CURRENCY

The financial statements are presented in Kenya shillings (KShs), which is also the company's functional currency.
